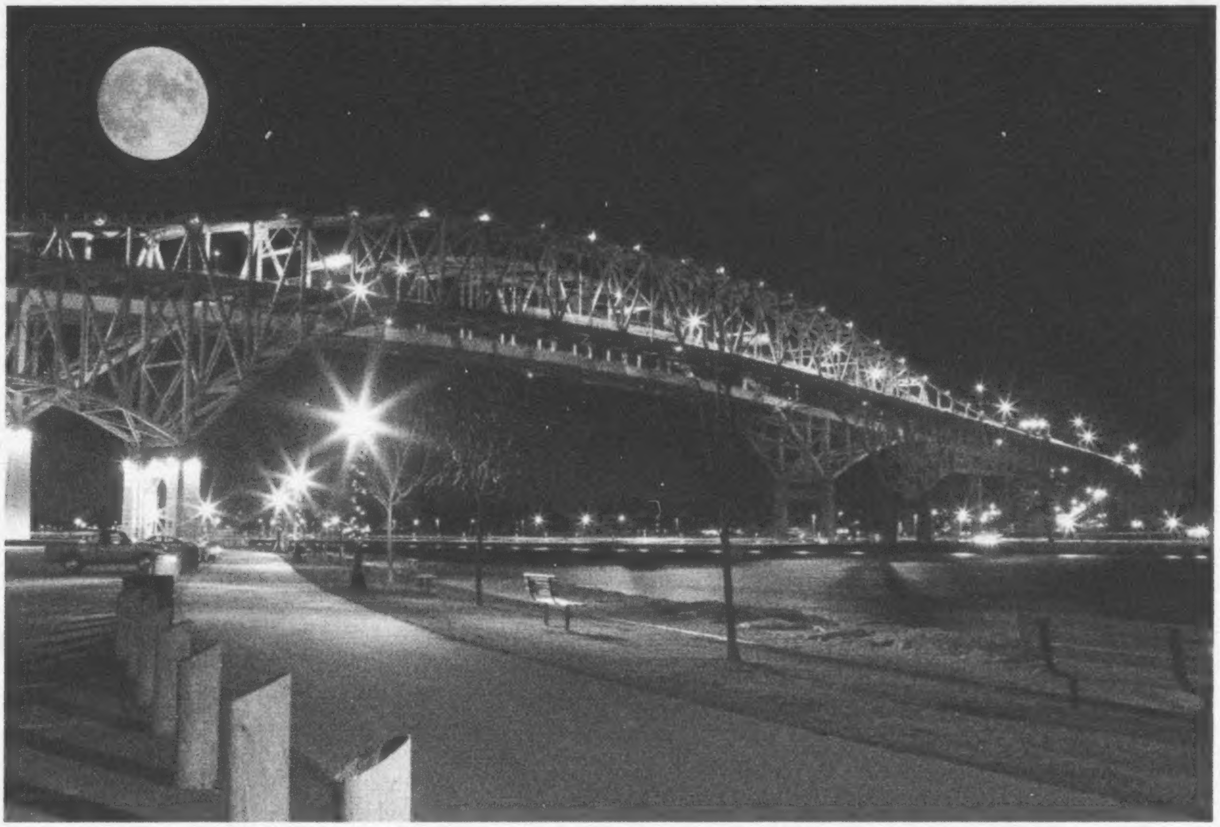
Quarterly Financial Report

1st Quarter
(Q1)
Unaudited
For the three
months ended
November 30, 2012



Blue Water Bridge Canada

Pont Blue Water Canada

Table of Contents

1.0 Background, Legislative Authority and Compliance

Blue Water Bridge Canada (BWBC) was created by a 1964 Act of Parliament (*Blue Water Bridge Authority Act)* where *"it is deemed appropriate that an international bridge providing facilities for the carriage of highway traffic between Canada and the United States be operated on a joint international basis by a public authority having equal representation of members appointed from each of the two countries, and having power to levy tolls to meet the costs of operating and maintaining such a bridge"*. At that time, in anticipation of such a merger to occur sometime in the future, the Canadian legislation initially established a corporation to be known as the Blue Water Bridge Authority to own (under federal control), operate and maintain the Canadian half of the highway toll bridge over the St. Clair River between Point Edward, Ontario and Port Huron Michigan. Similar legislation exists with the State of Michigan authorizing the American "Authority" to operate in the same way.

In accordance with the provisions of a 1928 Special Act of Parliament authorizing construction and operation of the Blue Water Bridge, ownership of the Canadian portion reverted, at no cost or expense, to the Federal Government from the State of Michigan in 1962. The Michigan Department of Transportation (MDOT) owns, operates and maintains the U.S. half of the bridge.

BWBC qualifies as a "parent Crown corporation" under the *Financial Administration Act* and regulations. As such, BWBC is required to submit an annual corporate plan outlining its business activities and investments and its objectives for the relevant period and the strategy to achieve such objectives. The *Financial Administration Act* (Canada) also requires that BWBC prepare and file annual operating and capital budgets, each of which requires the approval of the Treasury Board on the recommendation of the Minister of Transport, Infrastructure and Communities. BWBC is obliged to prepare annual reports including audited financial statements for submission to Parliament via the Minister of Transport, Infrastructure and Communities.

The *Blue Water Bridge Authority Act*, and the *Customs Act*, section 6, require BWBC to provide, equip and maintain free of charge adequate buildings or other facilities for the proper interviewing, examination and detention of persons and goods by customs officers.

BWBC has taken active measures to ensure compliance with the *Official Languages Act* and continues to implement its obligations with the Treasury Board of Canada Secretariat to ensure compliance with the *Federal Identity Program*. As part of that compliance, The President of the Treasury Board and the Minister of Transport, Infrastructure and Communities agreed on an applied title for the organization – from Blue Water Bridge Authority to Blue Water Bridge Canada – effective September 2007.

BWBC has operational relationships with: Ontario provincial authorities and particularly with the Ministry of Transportation; the Ontario Provincial Police, and; local municipalities, specifically Point Edward, Ontario upon which the bridge's Canadian assets are sited and the neighbouring City of Sarnia.

Pursuant to the *Blue Water Bridge Authority Act*, BWBC is limited to charging tolls which provide for current revenues in an amount sufficient to pay BWBC's reasonable current costs; to establish prudent reserve funds; to provide or replenish sinking funds in respect of outstanding bonds, and; to pay other expenses properly incurred by BWBC in its performance of duties under the Act. The *Canada Transportation Act* regulates the means of setting and publishing toll rates.

2.0 Q1 Fiscal 2013 in Review

This quarterly financial report has been prepared in accordance with the requirements of the Financial Administration Act and the Standard on Quarterly Financial Reports for Crown Corporations issued by the Treasury Board Secretariat.

This quarterly financial report assesses the operations and financial status of BWBC for the first fiscal quarter ended November 30, 2012. It should be read in conjunction with the interim unaudited condensed financial statements and supporting notes included herein and the annual audited financial statements included in BWBC's 2012 Annual Report. Unless otherwise indicated, all amounts are expressed in Canadian dollars.

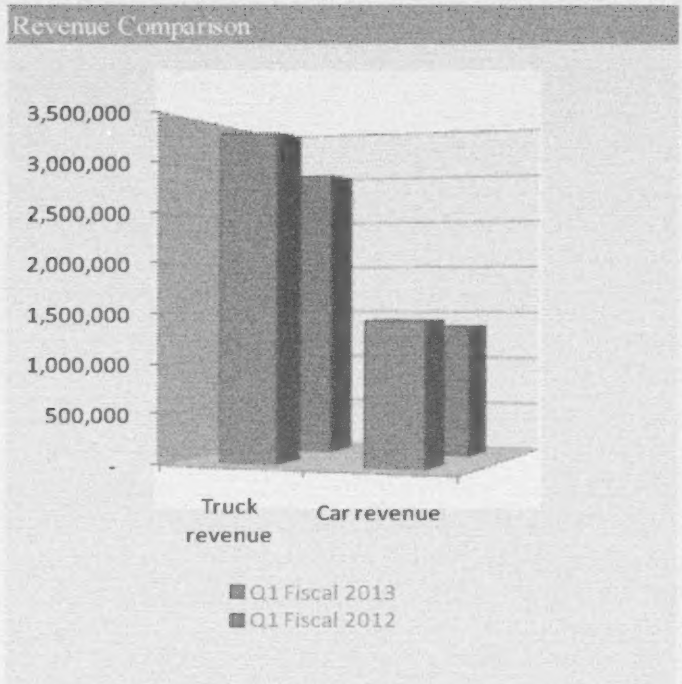
2.1 Summary of Results

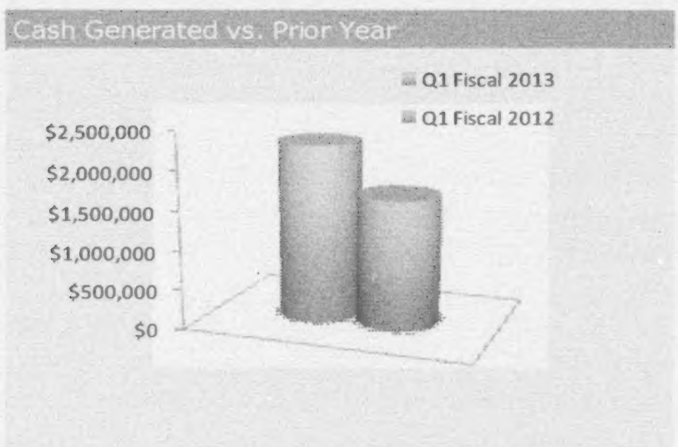
BWBC reports net income of $200 thousand for the three months ended November 30, 2012 (Q1) compared to a net loss of $1.02 million for the three months ended November 30, 2011. Q1 results have been strong with traffic volumes increasing by 4.1% for cars and 4.3% for trucks compared to Q1 2012. In addition to the volume increase, BWBC implemented a toll adjustment of $0.25 for passenger vehicles on October 1, 2011 and a toll adjustment of $0.25 cents per truck per axle on January 2, 2012 to ensure that BWBC can continue to meet the day-to-day operational needs of its customers into the future.

BWBC is on target for most revenue items in comparison with the Corporate Plan. Truck traffic increased slightly more than expected ($143k or 4.5% favourable). Duty Free revenue improved due to the combined increase in truck and car traffic ($52k or 11% favourable). Also, Currency Exchange revenue increased more than expected due to the increased car traffic and the volume of customer transactions ($107k or 37.6% favourable).

Compared to the Corporate Plan on the expense side, BWBC is significantly below forecast by 21.5% or $1.6 million primarily due to maintenance ($811k or 63.6% favourable) and depreciation expenses ($659k or 25.5% favourable). Maintenance expenses have a favourable variance due to the deferral of paving the bridge spans within the current fiscal year to fiscal 2014. Depreciation expense has decreased due to the change of accounting policy for the Blue Water Bridge Corporate Centre (BWBCC) wherein it was determined that it is more reasonable to depreciate the building over 70 years straight-line versus depreciating it on a 5% diminishing balance basis.

Both toll revenue and cash generated from operations have increased significantly over the same period of the prior year primarily due to the increase in traffic and the full toll rate adjustments as noted above. A comparison is provided in the two charts of the proceeding page.





2.2 Outlook

In order to meet our bond covenant coverage requirements and to finance the additional operational expenses being incurred by the new BWBCC building complex and future major maintenance projects on the bridge spans, the BWBC's Board of Directors has approved an additional 25-cent increase in toll rates across all categories for U.S.-bound vehicles crossing the Blue Water Bridge, to be effective January 3, 2013. The adjustment in tolls will assist BWBC to meet its future bond and bank debt payments and continue the maintenance program and service improvements, which are necessary to ensuring that customers consistently enjoy a safe and efficient crossing.

Effective January 3, 2013, the toll rates in CDN or U.S. funds for U.S.-bound traffic will be:

Passenger Vehicle:	\$ 3.50
Extra Axles:	\$ 3.50/axle
Roll of 20 Tokens:	\$50.00
Commercial Trucks (Cash):	\$ 3.75/axle
Commercial Trucks (Pre-paid):	\$ 3.50/axle

3.0 Discussion of Financial Results

Period over Period Comparisons

For the three months ended November 30, 2012

Q1 2013 and Q1 2012 totals are expressed in accordance with IFRS.

Revenues

Toll Revenue	Q1 Fiscal 2013	Q1 Fiscal 2012
Truck revenue	3,307,628	2,971,345
Car revenue	1,442,187	1,355,443
Bus revenue	9,133	8,136
Other	(12,751)	(109,008)
	4,746,197	**4,225,916**
Rental Revenue	**Q1 Fiscal 2013**	**Q1 Fiscal 2012**
Duty Free revenue	526,129	470,284
Commercial revenue	201,393	201,220
Residential revenue	10,115	10,045
Storage revenue	2,756	2,040
	740,393	**683,589**
CX Revenue	**Q1 Fiscal 2013**	**Q1 Fiscal 2012**
US CAD purchased	375,577	274,014
Interest income	2,432	2,448
ATM service fees	3,088	3,915
Foreign exchange	11,215	77,121
	392,312	**357,498**
Other	**Q1 Fiscal 2013**	**Q1 Fiscal 2012**
Interest-bank	5,599	15,372
Interest-investments	59,433	66,238
Sundry	4,108	6,035
	69,140	**87,645**
Total Income	**Q1 Fiscal 2013**	**Q1 Fiscal 2012**
	\$5,948,042	**\$5,354,648**

Toll Revenue increased by $520k or 12.3%. Car volumes increased by 18,872 or 4.1% and truck volumes increased by 7,174 or 4.3%. There was a full toll adjustment for cars implemented on October 1st, 2011 and for trucks, January 2nd, 2012 which created a positive toll rate variance for Q1 2013. Also, comparatively to prior years the Canadian dollar weakened less for the first quarter 2013 versus 2012 which has created a positive variance for toll revenue ($92k favourable).

Rental Revenue increased 8.3% due to the effect of an increase in sales at the Duty Free Store which affects the variable rent ($56k favourable).

Currency Exchange Revenue increased by $35k or 9.7% primarily due to the amount of customer transactions ($101k increase). Foreign exchange conversions on bank holdings decreased ($66k unfavourable).

Interest Income decreased due to the redemption of investments for cash flow purposes ($7k unfavourable). Bank account interest income also decreased although bank account balances stayed constant ($10k unfavourable) due to the need for cash in the USD operating account to finance the $1.7 million contribution to MDOT. Currently, BWBC does not receive interest income on US accounts.

Expenses

General & Administrative	Q1 Fiscal 2013	Q1 Fiscal 2012
Insurance	$103,669	$101,678
Municipal taxes	$63,335	$50,816
Legal and accounting	$61,009	$78,080
Office expenses	$47,634	$34,291
Computer supplies	$42,312	$24,577
Travel, conferences, meetings	$30,281	$28,165
Stationary	$29,614	$19,025
Bank charges	$20,164	$17,191
PR and entertainment	$17,604	$19,239
Cash over and short	$5,249	$1,283
Training and education	$3,892	$8,700
Consultants	($1,929)	$10,914
Total	$422,834	$393,959

Maintenance	Q1 Fiscal 2013	Q1 Fiscal 2012
Utilities	$182,051	$153,232
Landscaping	$85,966	$99,753
Janitorial and shop supplies	$52,798	$56,063
Paving	$46,292	-
Bridges	$38,250	$127,286
Buildings and booths	$29,304	$18,519
Other	$18,783	$24,501
Gas & Fuel	$9,146	$7,003
Total	$462,590	$486,357

Salaries	Q1 Fiscal 2013	Q1 Fiscal 2012
Operations	$367,083	$364,417
Administrative services	$279,554	$266,671
Maintenance	$144,566	$141,852
Currency exchange	$102,980	$102,443
Janitorial	$99,547	$98,341
Project management	$34,845	$17,388
Summer students	$3,673	-
Total	$1,032,248	$991,112

Benefits	Q1 Fiscal 2013	Q1 Fiscal 2012
Group insurance and critical illness	$324,087	$212,339
Group pension	$48,344	$53,239
Canada pension & EI	$26,527	$28,697
Employer health tax	$18,971	$19,213
WSIB	$10,240	$10,104
Miscellaneous	$1,780	$3,162
Total	$429,949	$326,754

Interest Expense	Q1 Fiscal 2013	Q1 Fiscal 2012
Bond interest	$1,344,520	$1,412,549
Bank loan interest	$134,005	$137,804
Total	$1,478,525	$1,550,353

Depreciation	Q1 Fiscal 2013	Q1 Fiscal 2012
Depreciation on cap. assets/invest. property	$1,921,518	$2,627,573
Gain on disposal of asset	-	($627)
Total	$1,921,518	$2,626,946

Total Expenses	Q1 Fiscal 2013	Q1 Fiscal 2012
	$5,747,664	$6,375,481

General and Administrative Expenses:
G&A was up by 7.0% due to municipal taxes which increased with the additional assessment on the $71 million BWBCC building ($13k unfavourable); the timing of software licenses and support for accounting and human resource systems ($18k unfavourable); stationary expenses due to LEED certification work and toll's coin wraps ($11k unfavourable). This is partially offset by a decreased need for legal and consulting expenses ($27k favourable) due to the prior year collective bargaining process and employee investigations. There were general, immaterial increases over most other general and administration accounts.

Maintenance Expenses:
Timing of bridge inspections ($96k favourable), less landscaping requirements ($14k favourable) and timing of snow removal compared to fiscal 2012 ($11k favourable). Utilities have increased due to an increase in water bills for the plaza and an overall increase in hydroelectricity ($32k unfavourable) attributable to the new BWBCC building complex. Paving increased due to asphalt crack repairs ($46k unfavourable), BWBCC soundproofing ($12k unfavourable) and fibre optic cabling for CBSA ($8k unfavourable).

Salaries Expenses:
Overall, salary and wage expenses increased by 4.2% due to the 2.75% increase in union wages; non-union salaries increased by an average of 3.5%; administration added 2 additional employees: a Human Resource Specialist and an IT Support Analyst. With phase 1 of the master capital plan complete, fewer projects have been ongoing, therefore, only 41% of salaries were capitalized to projects in Q1 2013 compared to 75% in Q1 2012.

Benefit Expenses:
Increased due to benefits now being offered to hourly employees which have also affected employee future benefits accruals in 2013 but will offset by the end of the year with the 2012 adjustment that had been made at the end of last year.

Interest Expense:
Decreased due to the diminishing balances of the bond principal and the $15 million credit facility.

Depreciation Expense has decreased mainly due to a change in accounting policy for the BWBCC to straight-line 70 years from 5% diminishing balance.

3.1 Risk Analysis

To date, there are no new changes in our risk analysis from those identified in the 2012 Annual Report.

3.2 Significant Changes

To date, there are no new significant changes from the 2012 Annual Report.

4.0 BWBC Interim Unaudited Condensed Financial Statements

For the three months ended November 30, 2012

Quarterly Financial Statements (Interim Unaudited)

4.1 Statement of Management Responsibility

Management is responsible for the preparation and fair presentation of these quarterly financial statements in accordance with the Treasury Board of Canada Standard on Quarterly Financial Reports for Crown Corporations and for such internal controls as management determines is necessary to enable the preparation of quarterly financial statements that are free from material misstatement. Management is also responsible for ensuring all other information in this quarterly financial report is consistent, where appropriate, with the quarterly financial statements.

Based on our knowledge, these unaudited quarterly financial statements present fairly, in all material respects, the financial position, results of operations and cash flows of the corporation, as at the date of and for the periods presented in the quarterly financial statements.

Chuck Chrapko
President and CEO

David Joy, BA, CGA
Chief Financial Officer

Sarnia, Ontario
Canada

January 31, 2013

4.2 Statement of Financial Position

(Unaudited) (Canadian $) As at		November 30, 2012 Year-to-date		November 30, 2011 Year-to-date
Assets				
Current				
Cash	$	**11,872,080**	$	9,914,682
Investments		**32**		1,076,580
Trade and other receivables		**375,415**		1,617,024
Prepaid expenses		**380,938**		286,555
		12,628,465		12,894,841
Non-current				
Investments		**1,180,511**		1,129,761
Property, plant and equipment		**212,918,109**		217,609,709
Intangible assets		**64,795**		229,816
Investment property		**15,867,190**		16,601,628
Restricted assets				
Debt service reserve fund		**3,561,823**		3,436,842
Operating and maintenance contingency fund		**2,702,702**		2,239,160
		236,295,130		241,246,916
Total assets	$	**248,923,595**	$	254,141,757
Liabilities				
Current				
Trade and other payables	$	**4,903,713**	$	4,050,825
Holdbacks payable		**129,709**		-
Deferred revenue		**2,254,121**		2,260,759
Current portion of bank loan payable		**393,408**		379,191
Current portion of bonds payable		**3,440,690**		3,226,301
		11,121,641		9,917,076
Non-current				
Employee benefits		**5,911,994**		5,276,569
Bank loan payable		**14,105,975**		14,499,383
Bonds payable		**80,693,106**		84,133,796
		100,711,075		103,909,748
		111,832,716		113,826,824
Equity				
Retained earnings		**137,090,879**		140,314,933
Total liabilities and equity	$	**248,923,595**	$	254,141,757

The accompanying notes form an integral part of the interim unaudited financial statements.

4.3 Statement of Comprehensive Income

(Unaudited) (Canadian $) For the period ended		Three months ended November 30, 2012		Three months ended November 30, 2011
Revenues				
Tolls and services	$	**4,746,197**	$	4,225,916
Facility rentals		**740,393**		683,589
Currency exchange department		**392,312**		357,498
Interest and Sundry		**69,140**		87,645
Gain on disposal of property, plant and equipment				627
		5,948,042		5,355,275
Expenses				
Depreciation of property, plant and equipment		**1,682,383**		2,315,226
Interest on long-term debt		**1,478,525**		1,550,353
Human resources		**1,462,197**		1,317,866
Maintenance expenses		**462,590**		486,357
General and administrative		**422,834**		393,959
Depreciation of investment property		**188,381**		272,585
Depreciation of intangible assets		**50,754**		39,762
		5,747,664		6,376,108
Comprehensive income (loss) for the period	$	**200,378**	$	(1,020,833)

Statement of Changes in Equity

Retained Earnings, beginning of period	$	**136,890,501**	$	141,335,766
Comprehensive income (loss) for the period		**200,378**		(1,020,833)
Retained Earnings, end of period	$	**137,090,879**	$	140,314,933

The accompanying notes form an integral part of the interim unaudited financial statements.

4.4 Statement of Cash Flows

(Unaudited) (Canadian $) For the period ended		Three months ended November 30, 2012		Three months ended November 30, 2011
Cash Flows from operating activities				
Excess of revenues over expenses and comprehensive income	$	200,378	$	(1,020,833)
Adjustments for items not affecting cash				
Depreciation of property, plant and equipment		1,682,383		2,315,226
Depreciation of investment property		188,381		272,585
Depreciation of intangible assets		50,754		39,762
Employee benefits		136,958		(59,801)
Interest on investments		-		(6,674)
Gain on disposal of property, plant and equipment		-		(627)
Foreign exchange loss		31,086		123,406
		2,289,940		1,663,044
Changes in non-cash working capital items				
Trade and other receivables		54,380		630,836
Prepaid expenses		(8,893)		86,884
Trade and other payables		875,755		1,191,231
Holdbacks payable		10,719		(992,116)
Deferred revenue		282,876		618,264
		1,214,837		1,535,099
Net cash provided by operating activities		3,504,777		3,198,143
Cash Flows from investing activities				
Purchase of property, plant and equipment		(354,804)		(997,225)
Purchase of investment property		(6,846)		-
Proceeds on disposal of property, plant and equipment		-		627
Investments				
Investments purchased		(12,930)		(12,374)
Restricted assets				
Investments purchased		(446,502)		(47,190)
Net cash used in investing activities		(821,082)		(1,056,162)
Cash Flows from financing activities				
Cash proceeds from bank loan - current portion		3,202		3,800
Cash repayment of bank loan		(98,585)		(95,383)
Net cash used in financing activities		(95,383)		(91,583)
Foreign exchange loss on cash held in foreign currency		(31,086)		(123,406)
(Decrease) Increase in cash during the year		2,557,226		1,926,992
Cash, beginning of period		9,314,854		7,987,690
Cash, end of period	$	11,872,080	$	9,914,682

The accompanying notes form an integral part of the interim unaudited financial statements.

4.5 Selected Notes to the Interim Unaudited Condensed Financial Statements

The interim unaudited condensed financial statements should be read in conjunction with BWBC's fiscal 2012 annual report and with the narrative discussion included in this quarterly financial report.

1. Basis of Preparation

This quarterly financial report has been prepared in accordance with the requirements of IFRS, the Financial Administration Act and the Standard on Quarterly Financial Reports for Crown Corporations issued by the Treasury Board Secretariat.

2. Summary of Significant Accounting Policies

a) Financial Instruments

Financial assets or liabilities are measured at fair value on initial recognition, including transaction costs. The measurement of financial instruments in subsequent periods depends on their classification. The classification of BWBC's financial instruments is presented in the following table:

Categories	Financial Instruments
Financial assets held-to-maturity	Investments Restricted assets
Loans and receivables	Trade and other receivables Cash
Financial liabilities measured at amortized cost	Trade and other payables Holdbacks payable Bank loan payable Bonds payable

Investments and restricted assets are measured at amortized cost. Interest is recognized using the effective interest rate method and recognized in the Statement of Comprehensive Income. Investments are classified as non-current assets, except for those with maturities that are less than 12 months from the end of the reporting period, which are classified as current assets. Restricted assets are classified as non-current in accordance with the timing of their intended use.

Assets classified as loans and receivables are recorded at amortized cost using the effective interest rate method.

Other financial liabilities are measured at amortized cost using the effective interest method.

4.5 Selected Notes to the Interim Unaudited Condensed Financial Statements

2. Summary of Significant Accounting Policies continued…

b) Impairment of Assets

i) Financial Assets

Assessment is made at the end of each report period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

For financial assets measured at amortized cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognized in the Statement of Comprehensive Income. As a practical expedient, BWBC may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the Statement of Comprehensive Income.

ii) Non-Financial Assets

Assets that are subject to depreciation are reviewed at each reporting date to determine whether there is an indication of impairment. If any such indication exists, the entity shall estimate the recoverable amount of the asset. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped into the smallest group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

c) Property, Plant, Equipment, Investment Property, and Intangible Assets

Property, plant and equipment is presented on the Statement of Financial Position as cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditures that are directly attributable to the acquisition or the construction of the items.

4.5 Selected Notes to the Interim Unaudited Condensed Financial Statements

2. Summary of Significant Accounting Policies continued…

c) Property, Plant, Equipment, Investment Property, and Intangible Assets continued…

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to BWBC and the cost of the item can be measured reliably. Repairs and maintenance are charged to the Statement of Comprehensive Income during the financial period in which they occurred.

Land is not depreciated. Depreciation on other assets is calculated using the methods and estimated useful lives below.

Depreciation rates based on the estimated useful life of an asset are as follows:

Bridges and Truck Ramp	Straight line for 50-75 years
Buildings	Straight line 5-70 years 5%-20% Diminishing balance basis
Buildings - residential (including land)	No depreciation
Equipment	10% Diminishing balance basis
Equipment - computer	Straight line 5-10 years 10%-20% Diminishing balance basis
Property improvements	10%-20% Diminishing balance basis
Vehicles and construction equipment	20% Diminishing balance basis
Investment property	5%-20% Diminishing balance basis 5-70 years straight-line
Intangible assets	Straight line for 5 years

Residual values and useful lives of property, plant and equipment are reviewed, and adjusted if appropriate, at the end of each reporting period, or more often if events or circumstances dictate.

<u>Property, Plant, and Equipment</u>

i) Buildings

Ten buildings and all of the old booths that were not built in BWBC's latest phase of the master capital plan have been identified for demolition in accordance with the master capital plan. Depreciation has been accelerated to depreciate the remaining net book value over the period of time through to the planned date of demolition.

ii) Buildings – Residential

No depreciation on buildings-residential is recorded. The total acquisition cost of the buildings- residential will be transferred to the land account when these buildings are demolished.

4.5 Selected Notes to the Interim Unaudited Condensed Financial Statements

2. Summary of Significant Accounting Policies continued…

c) Property, Plant, Equipment, Investment Property, and Intangible Assets continued…

iii) Construction-in-Process

Construction in process is not depreciated. When projects are significantly completed and put in use, the costs are transferred to the appropriate asset account and depreciation is initiated.

Intangible assets

The costs of purchases of computer software that meet the definition of intangible assets and that are separable from an item of related hardware are capitalized separately and depreciated over their useful lives on a straight-line basis over five years.

Investment Property

Investment property is property held to earn rental income. Investment property consists of property held under operating leases with tenants such as commercial customs brokers, private coffee shops, and a duty free store.

Properties which comprise a portion that is held to earn rental income or for capital appreciation and another portion held for use in the supply of services or for administrative purposes are accounted for separately as investment property and property, plant and equipment, respectively, if these portions could be sold separately or leased out separately under a finance lease.

Investment property is measured initially at cost and is subsequently accounted for under BWBC's accounting policy for property, plant and equipment.

d) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. BWBC's definition of a qualifying asset is any asset that costs over $1 million and takes over a year to be substantially ready for intended use or sale.

When general borrowings are incurred for the development of a qualifying asset, the capitalization rate applied to the resulting figure is the weighted average of the borrowing rates incurred.

4.5 Selected Notes to the Interim Unaudited Condensed Financial Statements

2. Summary of Significant Accounting Policies continued…

e) Revenue Recognition

Toll and services revenues are recognized and recorded at the time the tolls are collected when the vehicles pass through the toll lanes. Payments received in U.S. dollars are translated into Canadian dollars based on daily exchange rates.

Facility rentals revenues are recognized and recorded in the periods in which they are earned. These revenues include lease payments received from tenants such as commercial custom brokers, private coffee shops, and a duty free store.

Currency exchange department revenues are recorded and recognized at the time the currency exchange transaction is completed. Payments received in U.S. dollars are translated into Canadian dollars based on daily exchange rates.

Interest is recognized and recorded in the period in which it is earned. The primary component of revenue in this category is bond interest.

Deferred revenues are comprised of tolls paid in advance by passenger vehicle users and commercial trucking companies. Revenue is recognized at the time the vehicles pass through the toll lanes. Payments received in U.S. dollars are translated into Canadian dollars based on daily exchange rates.

f) Foreign Currency Translation

The functional and presentation currency of BWBC is the Canadian dollar. Foreign currency accounts are translated to Canadian dollars as follows:

At the transaction date, each asset, liability, revenue or expense is translated through the use of the exchange rate in effect at that date. At the year-end date, monetary assets and liabilities denominated in a foreign currency are translated into Canadian dollars by using the exchange rate in effect at that date and the resulting foreign exchange gains and losses are included in the Statement of Comprehensive Income in the current period.

g) Employee Benefits

BWBC provides post-retirement benefits including health care, dental care, employee assistance, and life insurance to eligible employees and their dependents upon meeting certain requirements. The obligation and the cost of these benefits are determined on an actuarial basis using the projected unit credit method prorated on service and management's best estimate assumptions. The discount rate used to determine the accrued benefit obligation is based on market rates for non-current high quality bonds. The measurement date is August 31st annually.

The net cost consists of the actuarially determined benefits for the current year's service, imputed interest on projected obligations and the amortization of actuarial gains or losses over the expected average remaining service life. Actuarial gains or losses are amortized over the employees' average remaining service life (16 years; 2011 - 16 years) only if the net actuarial gain or loss at the

4.5 Selected Notes to the Interim Unaudited Condensed Financial Statements

2. Summary of Significant Accounting Policies continued…

g) Employee Benefits continued…

beginning of the year is in excess of 10% of the accrued benefit obligation at that date. These benefits are not pre-funded, resulting in a deficit equal to the accrued liability benefit obligation.

BWBC also provides defined contribution pension benefits to its employees. BWBC's contributions reflect the full benefit cost of the employer and they are charged to operations during the year in which the services are rendered.

h) Leases

As lessor, when assets are leased out under an operating lease, the asset is included in the Statement of financial position within property, plant and equipment and investment property. Leased assets include all of the investment property as disclosed in note 7 and buildings – residential as disclosed in note 7 of the yearend 2012 financial statements.

i) Federal, Provincial and Municipal Government Assistance

Federal, provincial and municipal government assistance is recorded as a reduction of the cost of the asset acquired when there is a reasonable assurance that the requirements for the approved grants are met.

j) Critical Accounting Estimates

The preparation of financial statements in accordance with IFRS requires management to make estimates that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the year. Actual results could differ significantly from management's best estimates as additional information becomes available in the future.

The following are estimates that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

i) Useful life expectancy predictions for investment property, intangible assets and property, plant and equipment.

ii) Estimates used in determining post-retirement defined benefit obligations. Additional information relating to employee-related liabilities is disclosed in note 11 of the yearend 2012 financial statements.

iii) Valuation of Investment property to fair value.

4.5 Selected Notes to the Interim Unaudited Condensed Financial Statements

2. Summary of Significant Accounting Policies continued…

k) Critical Accounting Judgments

The preparation of financial statements in accordance with IFRS requires management to make judgments that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the year. Actual results could differ significantly from management's best estimates as additional information becomes available in the future.

The following are judgments that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

i) Classification of investments as held-to-maturity.

ii) Degree of componentization for buildings.

iii) Classification between property, plant and equipment to investment property.

iv) Classification of leases as finance or operating.

l) Contingencies and Provisions

In the normal course of its operations, BWBC becomes involved in various legal actions. Some of these potential liabilities may become actual liabilities when one or more future events occur or fail to occur. To the extent that the future event is probable, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense recorded in BWBC's financial statements.

m) Accounting Standards Issued but not yet Effective

At the date of authorization of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by BWBC. Management anticipates that all of the pronouncements will be adopted in the BWBC's accounting policies for the first period beginning after the effective date of the pronouncement. Certain other new standards and interpretations have been issued but are not expected to have a material impact on BWBC's financial statements. Information on new standards, amendments and interpretations not previously discussed that are expected to be relevant to BWBC's financial statements is provided below.

IFRS 9 Financial Instruments

IFRS 9 was issued to deal with classification and measurement requirements for financial assets and financial liabilities. The mandatory effective date of IFRS 9 is for annual periods beginning on or after January 1, 2015.

4.5 Selected Notes to the Interim Unaudited Condensed Financial Statements

2. Summary of Significant Accounting Policies continued…

m) Accounting Standards Issued but not yet Effective continued…

IFRS 13 Fair Value Measurement

IFRS 13 provides a single source of guidance on how to measure fair value where its use is already required or permitted by other IFRS requirements and enhances disclosure requirements for information about fair value measurements. It is effective for years beginning on/after January 1, 2013.

IAS 1 Presentation of Financial Statements

Effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2013, the IASB amended this standard to clarify the requirements for providing comparative information in the financial statements.

IAS 16 Property, Plant and Equipment

Effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2013, the IASB amended this standard to clarify classification requirements for servicing equipment.

IAS 19 Employee benefits

In June 2011, the IASB amended IAS 19 effective for fiscal years beginning on or after January 1, 2013. Amongst other changes, the amendments require entities to recognize actuarial gains or losses directly in other comprehensive income in the period in which they are incurred. Furthermore, the amendments to IAS 19 enhance the disclosure requirements for defined benefit plans, providing additional information about the characteristics of defined benefit plans and the risks that entities are exposed to through participation in those plans. BWBC is still assessing the impact of the adoption of this standard on its financial statements as it will change the current policy of accounting for actuarial gains or losses.

3. Comparative Figures

Certain of the comparative figures have been reclassified to conform to the current year's presentation.

4. Subsequent Events

There were no material subsequent events that have not been reflected at the date of issue of this quarterly financial report.